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1 JUN 1915

MESSAGE

OF

GOVERNOR-GENERAL
FRANCIS BURTON HARRISON

TO THE

THIRD PHILIPPINE LEGISLATURE

DELIVERED OCTOBER 16, 1914

MANILA
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THE GOVERNOR-GENERAL

TO THE

THIRD PHILIPPINE LEGISLATURE,

MANILA, OCTOBER 16, 1914.

GENTLEMEN OF THE LEGISLATURE:

I have the honor to submit my second annual message to the Philippine Legislature, and to thank you for the consideration with which you received and carried out the suggestions of my first.

At this time, many of the foremost nations of Europe are engaged in the greatest war in modern history. The United States has, however, maintained strict neutrality in the present conflict, and we in the Philippines share in the resulting peace with all the countries of the world.

Here within the Philippine Islands peace reigns throughout. During the past year our tranquillity has been undisturbed. Every indication points to its continuation in both external and internal affairs.

The European war has, nevertheless, caused serious disturbance in our commercial markets. For a short time our foreign commerce was in suspense, and for the first three weeks in August there was practically no market for Philippine products destined for exportation, with the exception of sugar, the price of which rose immediately upon

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the removal from the world's markets of the European production. In hemp and in copra, the markets were at first substantially paralyzed. With the gradual resumption of foreign commerce, the prices of hemp and copra have once more approached the normal. It can hardly be hoped, however, that entirely satisfactory markets for these staples will be resumed so long as the European conflict lasts. The principal reasons for this, aside from the natural disturbance in our consuming markets, is the scarcity of transportation to and from foreign ports. Before the war, the arrival of vessels so engaged averaged one a day in the port of Manila alone; at present but one or two a week.

In consequence of these conditions, the diminution in our export and import trade seriously affects our financial situation. Up to the time of the outbreak of the war, the great volume of our exports and imports indicated widespread prosperity among the people at large. The value of merchandise brought into the Philippine Islands during the first nine months of the year 1914 was ₱78,933,640, and for the same period of 1913 it was ₱77,713,828; the value of our exported products from January 1 to September 30, 1914, was ₱79,643,298, and during the same period of the proceding year it was ₱73,683,256, showing that even up to the 1st of October our total of exports and of imports was each greater than during the same period of 1913. However, the effect of the war began to make itself felt in August, when the total volume of our export and import trade amounted to ₱14,259,590, as against ₱17,276,550 in August, 1913. The diminution of our exports, which lowers the purchasing power of the people, will inevitably restrict internal trade and thus reduce internal-

revenue receipts. Up to the 30th of September, 1914, the Insular Government received from internal-revenue taxation ₱7,276,057, as compared with the sum of ₱7,506,359 in a similar nine months' period of 1913, a reduction of ₱230,302. Still greater loss may be expected if the European war is prolonged. The restriction of our volume of importations, however, has shown more immediately the effects of the present crisis. For the first nine months of the year, the duties upon imports were ₱7,851,096, as compared with ₱7,825,728 for the same months in 1913, an actual increase of ₱25,368. Included in this period, however, during September, 1914, these receipts from imports fell off ₱383,814 as compared with September, 1913, and the first nine days of this month show a decrease of over ₱100,000 in comparison with the same days in October, 1913. It must also be remembered that approximately ₱1,300,000 of export duties collected during the first nine months of 1913 is swept from our revenues by the Tariff Act of October 4, 1913. Moreover, the natural tendency of the dislocation of European markets will be to direct our trade to the United States in ever-increasing ratio, with a corresponding decrease in taxable importations. This ratio has already passed 50 per cent of the total. These conditions will in all probability continue in varying degree during the course of the war, and for a considerable period of time thereafter. It is possible that a total loss of ₱1,500,000 in revenues for this calendar year will be our share of the world-wide disturbance in business. It is our duty now to meet this extraordinary situation with wisdom and with courage.

Had we found in the Insular Treasury a reasonable unappropriated surplus at this juncture, for example the

₱4,000,000 which has usually been regarded as the safe minimum, the emergency might have been met from established resources. Instead of this, however, we find that since the close of the fiscal year 1910, each year has been marked by expenditures in excess of receipts, which have steadily eaten into the reserve surplus of the Government. The excess of expenditures over income for the fiscal year 1911 was ₱2,450,000; for the fiscal year 1912, ₱2,143,000; and for the old fiscal year 1913, ₱2,356,000, all incurred during a period of constantly increasing revenue; while for the calendar year 1913, the Insular Government expended the extraordinary sum of ₱7,573,000 more than its income. The net annual expenditures for bureaus and offices alone increased nearly ₱2,600,000 from 1910 to 1913. The unappropriated surplus was in consequence reduced to utterly negligible proportions, and is insufficient to meet the crisis which now arises. As pointed out to you in my first message, the most stringent economy was necessary to avert an alarming deficit in the Treasury. Truly extraordinary economies have, indeed, been made to that end, both in the appropriation bill so harmoniously passed by unanimous vote at the last session, and by administrative officials in carrying out the spirit as well as the letter of that law. As a result, the Insular expenditures for this calendar year will probably be less by fully ₱6,000,000 than in 1913, with an increase rather than impairment of the efficiency of the Government, and without interruption of any important functions of administration or necessary construction. Of this large economy, about ₱2,500,000will represent savings by bureaus and offices. Without the diminution in revenues incident to the European war, it would therefore have been

unnecessary to resort to any unusual measures. That necessity is now, however, before us. It must take either the form of greater economies or of new taxation. While it is believed that further economies in certain directions should profitably and wisely be undertaken, it is upon new sources of revenue that we should chiefly rely. Increased taxation upon our imports is a right reserved solely to Congress. In the same way, we have probably no jurisdiction as yet to increase the tax upon incomes. I recommend, therefore, that you consider other ways and means by which additional internal-revenue taxation may now be imposed, in such order that these taxes may fall upon wealth, rather than upon poverty, upon luxuries rather than upon necessaries.

Decreases in customs revenues due to the war are not peculiar to the Philippines. They have occurred also in the United States, and Congress is meeting the difficulty by increasing the internal revenue.

The production of funds necessary for the operation of the Government will, to an increasing degree, in the immediate future depend upon the collections of internal-revenue taxation. The enforcement of the Internal Revenue Law has resulted, moreover, in large benefits to the general public. The supervision delegated under its police powers by the Insular Government to the internal-revenue officers tends to an economical and sound progress of business. For example, the production of alcohol in the Philippine Islands increased steadily from about 4,000,000 proof liters in 1905 to over 10,500,000 proof liters in 1913. The requirements of the Bureau of Internal Revenue insuring a sanitary output have placed the Philippine liquors on a par

with imported liquors of the same grade. The same benefit to consumers in a marked degree has resulted from the supervision of tobacco factories—a benefit so great that the sanitary conditions under which cigars and cigarettes are produced in the Philippines are equal to any in the world.

The people of the Philippines should not, therefore, hesitate to impose upon themselves a just burden of taxation; without adequate taxation there are no sufficient revenues; without adequate revenues, there can be no genuine material progress. In the Philippines at present the per capita taxation of the Insular Government is ₱2.83; per capita taxes imposed by the central governments of other countries are far greater. For example, the per capita tax in Belgium is ₱17.96; in Japan, ₱10; in France, ₱39.75; in Spain, ₱22.71; in Turkey, ₱8.24; in Great Britain, ₱34; and in the United States, ₱14.22. It may thus be seen that the Philippine Government could fairly impose some additional taxation without injustice to any inhabitants and with assurance of benefits to the whole population. Such increased taxation is essential not only to meet the present situation, but also to care for the future needs of the Government. All who desire the success of the Filipino people under more extended powers of self-government should unite to provide for the future sufficient revenues and resources.

In the session now beginning, many matters of public moment are pressing for your consideration. It is perhaps necessary at this time to refer to but a few of these.

You are invited to consider as of prime importance the agricultural interests of the Islands. Agriculture is and

probably always will be the chief source of your wealth and the basis of your prosperity. In every way constitutionally possible, the Legislature should enter upon an expanding program of agricultural development. First and foremost is the necessity for the elimination of the rinderpest; it is recommended that liberal provision be made for the inoculation and immunization of the work animals of the Islands. Legislation providing additional means for locust destruction should, moreover, be enacted.

Of equal importance, and to some extent dependent upon the success of the two foregoing suggestions, is the increase of rice cultivation in the Philippines. Beneficent nature, in the fertility of the soil, offers to the inhabitants of the Philippines ample opportunity to produce their own food supply. Failure to do so invites high prices and a possibility of famine. These Islands should not be dependent for necessaries of food upon any other country. For the past decade, sums of money aggregating from ₱6,000,000 to ₱26,000,000 a year have gone from this country to nearby colonies in payment for imported rice. These vast sums of money should, in the nature of things, be paid instead to the farmers of the Philippines for their products, and should remain in circulation in the Islands.

In this connection I invite your attention to the necessity here for more ample capital for agricultural operations. At present, the high rates of interest prevailing among private individuals or companies engaged in the lending of money are almost prohibitive to the farmer. Stringent laws should be passed against usury. Besides this, additional capital should be provided for the Agricultural Bank. Its resources available for long-term mortgage loans are now exhausted, and in consequence new business is prac-

tically suspended. Furthermore, I recommend to you the passage of a law creating and regulating coöperative agricultural associations, to provide among small farmers dwelling in the municipalities credit associations on the models so successfully in operation in Italy and in Germany. In addition, you are requested to consider the feasibility of governmental coöperation in the construction of sugar centrals in suitable locations throughout the Islands. Agricultural interests should be further encouraged by a reform in the land laws, so that it may not take the settler upon the public lands, as so often at present, eight years to acquire his title; and the work of the cadastral survey should be hastened to secure to all the farmers sound legal titles to their land.

In addition to the farming interests, many other classes of our community claim your attention. I recommend to you the passage of a law to provide pensions for the officers and men of the Constabulary, or for their families, for death or disability incurred in the line of duty. This would be a just recognition of the services of that highly trained body, and would increase the efficiency of the corps.

You are moreover requested to enact legislation regulating the insurance companies doing business in the Philippines for the general benefit of the business community and the complete protection of those insured.

Recent floods having partially destroyed the Bridge of Spain in Manila, you are invited to consider at this time Insular aid to assist in the construction of a new bridge over the Pasig River, so that congestion of traffic in Manila may be relieved, suitable railway terminals be provided, and

a proper development of the Government filled land be undertaken.

The general financial situation of the city of Manila demands attention. The city has already reached the limit of indebtedness allowed by the law of Congress; moreover, the Municipal Board has been faced with the necessity of reducing the existing overdraft upon the city's resources. Under the circumstances, no important public works of a purely municipal nature can be undertaken without the passage of a special assessment law of the kind so familiar in the larger American cities. I urge upon you the early enactment of such a measure.

It is further suggested that provision be made for a more efficient regulation and supervision of our public charities. In this connection I advise official recognition by the Legislature of the Public Welfare Board recently organized under the supervision of the Secretary of Public Instruction, in order to coördinate governmental agencies in charitable work, and to promote the creation of private and public institutions for social and public welfare. Moreover, I urge upon you the imperative need of proper provision for the insane; present accommodations for the welfare of these unfortunates are entirely inadequate and do not discharge the full duty of the Government in this respect.

From time to time, during the session of the Legislature, I may submit further recommendations and suggestions to your honorable body. The conflict in Europe occasionally develops unexpected difficulties in the matter of securing for the Philippines foodstuffs and other supplies which the Islands are at this time under the necessity of importing

from other countries and nearby colonies. In order that serious hardship might not result to the people of the Philippine Islands, it has been necessary for the Governor-General to take unusual measures and you will later be asked to approve of the steps already taken, and possibly to confer upon the Governor-General power to do such things as may be necessary during the continuance of the European war to insure to the people of the Philippine Islands the continued receipt of such articles of consumption as may be necessary to the welfare of the people and their industries.

Cable advices have just been received that the bill of Representative Jones has passed the House of Representatives of the United States Congress declaring it to be the intention of the people of the United States to give to the people of the Philippines their independence as soon as a stable government has been established, and extending to the Philippines, meanwhile, a far greater control of their internal affairs than at present exists. The passage of this bill by the Senate of the United States will give to the Filipino people wider opportunity to deal with subjects of future legislation and enlarged powers to provide for the economic interests of the Government.

The past year has been one of progress and reform. The record of the first legislature in which Filipinos have been in a complete majority is one in which all may well take pride. It is not my purpose to rehearse here all the accomplishments of the last session; suffice it to say that they compare favorably with those of the most progressive States of the American Union. An equal opportunity confronts us now. In the last session, charged as it was with so much

patriotism and responsibility, no feature was more gratifying than the complete harmony between the two houses of the Legislature. Mutual confidence and good will marked the daily progress of the session. Let us continue to deserve and to maintain this harmony. In this way we may best serve the people of the Philippines; in this way we may best discharge our duty and invoke the continued appreciation of the people of the United States.

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